

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 NEA-10 ISO-00 CIAE-00 PM-05 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02
SS-15 USIA-06 AID-05 COME-00 EB-08 FRB-03 XMB-02
OPIC-03 LAB-04 SIL-01 OMB-01 STR-05 CEA-01 IO-13
AGRE-00 /113 W
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R 010842Z DEC 77
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 8582
INFO AMEMBASSY KATHMANDU

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USADB

FOR NAC AGENCIES

E.O. 11652: N/A
TAGS: EAID, EFIN, NP
SUBJECT: ADB TECHNICAL ASSISTANCE LOAN FOR SIKTA IRRIGATION
AND RURAL DEVELOPMENT (NEPAL)

SUMMARY: ADB MANAGEMENT PROPOSING \$470,000, UNDP FUNDED
TECHNICAL ASSISTANCE (TA) GRANT TO FINANCE FOREX COST OF
FEASIBILITY STUDY FOR RURAL DEVELOPMENT PROGRAM IN SIKTA
AREA OF WESTERN NEPAL. PROPOSED STUDY WILL BE CONDUCTED
IN TWO PHASES AND WOULD COVER IRRIGATION DEVELOPMENT, TRAN-
SPORT INFRASTRUCTURE, AGRICULTURE AND A VARIETY OF AGRICUL-
TURAL SUPPORTING SERVICES. TA IS REQUIRED TO FORMULATE VIABLE
PROJECT WHICH WOULD RAISE INCOME AND STANDARD OF LIVING OF
FARMERS IN ONE OF COUNTRY'S LESS DEVELOPED AREAS.
RECOMMEND FAVORABLE NAC ACTION. END SUMMARY.

1. ADB DOC R126-77 POUCHED ADDRESSEES NOVEMBER 21. PROPOSED
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TA SCHEDULED FOR BOARD CONSIDERATION DECEMBER 13.

2. AGRICULTURE IS MAIN SOURCE OF LIVELIHOOD FOR OVER 90
PERCENT OF POPULATION OF NEPAL. AGRICULTURAL SECTOR ACCOUNTS
FOR MORE THAN TWO-THIRDS OF GROSS DOMESTIC PRODUCT (GDP)
AND NEARLY 80 PERCENT OF EXPORT EARNINGS. ABOUT 80 PERCENT OF
NEPAL'S TOTAL EXPORT OF FARM COMMODITIES IS PRODUCED IN

THE TERA (THE PLAIN ALONG INDIAN BORDER), WHICH COMPRISES ONLY 27 PERCENT OF TOTAL AREA BUT CONTAINS 67 PERCENT OF ITS TOTAL CULTIVATED LAND.

3. AT PRESENT, PADDY, ALMOST ENTIRELY OF TRADITIONAL VARIETIES, OCCUPIES ABOUT 55 PERCENT OF CROPPED AREA OF DISTRICT. WHEAT, MAIZE AND MUSTARD ARE GROWN IN ABOUT 20 PERCENT, 17 PERCENT AND 4 PERCENT OF THE CROPPED AREA, RESPECTIVELY. BARLEY, POTATO AND OTHER MINOR CROPS ARE GROWN IN REMAINDER OF AREA. SOME DOUBLE-CROPPING WITH MAIZE FOLLOWED BY MUSTARD OR WHEAT IS PRACTICED. LACK OF RAINFALL AND IRRIGATION DURING THE DRY MONTHS ARE THE MAJOR CONSTRAINTS ON EXPANSION OF THE CROPPED AREA. PRESENT CROPPING INTENSITY IS ABOUT 119 PERCENT AND PRESENT YIELDS OF CROPS ARE LOW. WITH IRRIGATION, IT IS EXPECTED THAT CROPPING INTENSITY AND PER HECTARE YIELD OF CROPS WOULD INCREASE CONSIDERABLY.

4. PRESENT AGRICULTURE POPULATION IN BANKS DISTRICT IN WESTERN NEPAL WHERE PROPOSED PROJECT IS LOCATED IS ABOUT 121,300 OR 84 PERCENT OF THE TOTAL; NEPALGANJ HAS A POPULATION OF ABOUT 23,000. THERE ARE ABOUT 23,190 FARM FAMILIES WITH AN AVERAGE OF 5.23 PERSONS PER FAMILY. THE OVERALL AVERAGE CULTIVATED LAND PER FARM FAMILY IS ABOUT 2.15 HA. POPULATION DENSITY IS 77 PERSONS PER SQ. KM. WHICH IS CONSIDERABLY LESS THAN NATIONAL AVERAGE OF 91. A SURVEY CARRIED OUT UNDER PREVIOUS STUDY SHOWED THAT THERE ARE ABOUT 16,370 LIMITED OFFICIAL USE

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LAND TITLE HOLDERS IN BANKE DISTRICT OF WHICH 78 PERCENT HOLD 2.70 HA. OR LESS, 14 PERCENT HOLD BETWEEN 2.70 TO 6.080 HA. AND ONLY 1.5 PERCENT HOLD 19.0 HA. OR MORE. ABOUT 62 PERCENT OF FAMILIES EITHER OWN NO LAND OR NOT MORE THAN 0.67 HA. LIVING CONDITIONS OF THE PEOPLE IN THE AREA ARE RELATIVELY POOR DUE TO LOW LEVELS OF ARM INCOME AND LACK OF EMPLOYMENT OPPORTUNITIES.

5. OBJECTIVE OF PROJECT TO BE FORMULATED UNDER PROPOSED TA IS TO RAISE INCOME AND STANDARD OF LIVING OF FARMERS IN PROJECT AREA MAINLY BY INCREASING AGRICULTURAL PRODUCTION, ESPECIALLY OF RICE, WHEAT AND MAIZE, IMPROVING THEIR LAND TENURE STATUS, AND PROVIDING EMPLOYMENT OPPORTUNITIES THROUGH IRRIGATION AND RURAL DEVELOPMENT. PROJECT IS FIRST STAGE OF GOVERNMENT'S PLAN FOR DEVELOPMENT OF WESTERN RAPTI RIVER BASIN.

6. OBJECTIVE OF PROPOSED TA IS TO CARRY OUT A FEASIBILITY

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ACTION TRSE-00

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INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02
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FOR NAC AGENCIES

STUDY AND FORMULATE A VIABLE IRRIGATION AND RURAL DEVELOPMENT PROJECT IN BANKE DISTRICT IN WESTERN NEPAL. IT IS ENVISAGED THAT THE AVAILABLE WATER IN THE WESTERN RAPTI RIVER WILL BE USED FOR IRRIGATION WITHOUT A STORAGE DAM AND THAT NECESSARY ROADS, AGRICULTURAL DEVELOPMENT FACILITIES AND SERVICES, AND SOCIAL INFRASTRUCTURE WILL ALSO BE PROVIDED. THE STUDY WOULD BE UNDERTAKEN IN TWO PHASES AS FOLLOWS: (I) PHASE 1: DURATION OF THIS PHASE WOULD BE THREE MONTHS. AREA TO BE COVERED UNDER THE STUDY WOULD BE ABOUT 40,000 HA. WORK INCLUDES REVIEW OF ALL EXISTING DATA WITH NECESSARY SUPPLEMENTARY STUDIES AND INVESTIGATIONS THAT COULD BE CONDUCTED WITHOUT A DETAILED TOPOGRAPHICAL MAP; DETERMINATION OF OPTIMUM SIZE OF PROJECT FOR FURTHER STUDY IN PHASE 2; PRELIMINARY COST ESTIMATES; AND SOCIO-ECONOMIC JUSTIFICATION OF PROJECT. STUDY WOULD ALSO PROVIDE ASSURANCE THAT THERE WOULD BE NO ADVERSE EFFECT TO OR FROM LATER PHASES OF DEVELOPMENT ENVISAGED FOR ENTIRE WESTERN RAPTI RIVER BASIN. (II)
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PHASE 2: PHASE 2 STUDY WOULD REQUIRE FIVE MONTHS AND WILL CONCENTRATE ON AREA SELECTED IN PHASE 1. PHASE 2 WOULD BE CARRIED OUT ONLY IF THE RESULTS OF THE STUDY IN PHASE 1

ARE TECHNICALLY AND ECONOMICALLY FAVORABLE. WORK WOULD INCLUDE DRAWING UP OF AN INTEGRATED AREA DEVELOPMENT PLAN INCLUDING IRRIGATION, DRAINAGE, ROADS, AGRICULTURAL DEVELOPMENT FACILITIES, RURAL INSTITUTIONS, COTTAGE INDUSTRIES AND SOCIAL INFRASTRUCTURE, IF JUSTIFIABLE; PREPARATION OF PRELIMINARY ENGINEERING DESIGNS, COST ESTIMATES AND ECONOMIC EVALUATION AT FEASIBILITY LEVEL; RECOMMENDATIONS ON PROJECT ORGANIZATION AND IMPLEMENTATION ASPECTS; AND OPERATION AND MAINTENANCE REQUIREMENTS AND PROCEDURE.

7. IN ORDER TO SATISFACTORILY ACHIEVE OBJECTIVES OF PROPOSED STUDY, IT IS PROPOSED THAT STUDY BE UNDERTAKEN BY A TEAM OF ABOUT EIGHT EXPERTS FROM A CONSULTING FIRM WELL EXPERIENCED IN THE FIELDS OF IRRIGATION AND AGRICULTURAL DEVELOPMENT. THE TEAM, DURING THE PHASE 1 STUDY, WOULD CONSIST OF FIVE EXPERTS, NAMELY, AN IRRIGATION ENGINEER IN PLANNING CONSTRUCTION, RIVER TRAINING AND ON-FARM DEVELOPMENT; A HYDROLOGIST WITH EXPERIENCE IN HYDROMETEOROLOGY; AN ENGINEERING GEOLOGIST WITH EXPERIENCE IN FOUNDATION EXPLORATION AND TESTAMENT INCLUDING DRILLING AND PUMPING TEST AND SEISMIC SURVEYS; AN AGRONOMIST WITH EXPERIENCE IN AGRICULTURAL EXTENSION, RICE CULTIVATION, SOIL SURVEY AND LAND CLASSIFICATION, AND AN AGRICULTURAL ECONOMIST WITH EXPERIENCE IN FARM MANAGEMENT, RURAL INSTITUTIONS AND SOCIO-ECONOMIC ANALYSIS OF IRRIGATION PROJECTS. DURING THE PHASE 2 STUDY, A STRUCTURAL ENGINEER WITH EXPERIENCE IN DESIGN OF LARGE DIVERSION WEIRS AND OTHER HYDRAULIC STRUCTURES, AND ABOUT TWO OTHER NON-SPECIFIC EXPERTS AS REQUIRED WOULD JOIN THE TEAM.

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8. PHASE 1 STUDY IS EXPECTED TO START IN EARLY MARCH AND TO BE COMPLETED BY THE END OF MAY 1978. IT WILL REQUIRE 11 MAN-MONTHS OF CONSULTING SERVICES. SINCE THE RAINY SEASON LASTS FROM JUNE TO END OF OCTOBER, PHASE 2 STUDY SHOULD START FROM EARLY DECEMBER 1978 AND WILL TAKE FOUR MONTHS OF FIELD WORK AND ONE MONTH AT HOME OFFICE INVOLVING 30 MAN-MONTHS OF CONSULTING SERVICES. THE PERIOD OF ABOUT SIX MONTHS BETWEEN THE TWO PHASES WOULD PERMIT REVIEW OF THE PHASE 1 STUDY AND DISCUSSIONS WITH GOVERNMENT AND UNDP.

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FOR NAC AGENCIES

9. TOTAL COST OF TA IS \$486,000 EQUIVALENT. UNDP WILL FUND \$470,000 (PHASE 1 \$134,000 AND \$336,000 FOR PHASE 2) TO COVER FOREX COST OF (I) REMUNERATION AND PER DIEM (\$279,000), (II) INTERNATIONAL TRAVEL AND MISCELLANEOUS TRAVEL EXPENSES (\$29,900), (III) TECHNICAL INVESTIGATION AND EXPLORATION (\$72,000), (IV) HYDRO-METEOROLOGICAL INSTRUMENT (\$2,000), (V) TWO JEEPS WITH SPARE PARTS (\$14,000), (VI) COMMUNICATIONS REPORT PREPARATION AND PRINTING, INCLUDING AIR FREIGHT (\$16,000), (VII) VEHICLE OPERATION, SECRETARIAL SERVICES AND CONTINGENCIES (\$57,100). GON WILL CONTRIBUTE \$16,000 EQUIVALENT TO COVER LOCAL COSTS OF IMPLEMENTING PROJECT.

10. ADB HAS BEEN REQUESTED BY GOVT AND UNDP TO ACT AS EXECUTING AGENCY.

11. GOVERNMENT COOPERATING AGENCY FOR TECHNICAL ASSISTANCE WILL BE DEPARTMENT OF IRRIGATION, HYDROLOGY AND METEOROLOGY
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(DIHM). DIHM, IN CLOSE COORDINATION WITH CONCERNED DEPARTMENTS AND AGENCIES, WILL ARRANGE TO FURNISH QUALIFIED COUNTERPART TEAM TO WORK IN CLOSE RELATION WITH CONSULTANTS. GOVERNMENT WILL ALSO PROVIDE OFFICE ACCOMMODATION, HOUSING FACILITIES AND LOCAL TRANSPORTATION.

12. USADB COMMENT: ACCORDING TO BANK STAFF, PROJECT AREA'S LOW INCOME POSITION WITHIN NEPAL CAN BE LARGELY ATTRI-

BUTABLE TO POOR TRANSPORT INFRASTRUCTURE, PARTICULARLY ALONG EAST-WEST CORRIDOR. RECOGNIZING IMPORTANCE OF TRANSPORTATION BANK HAS INCLUDED, AS PART OF ITS TERMS OF REFERENCE (PARAS V, 21, APPENDIX 4) AN ANALYSIS OF EXISTING ROAD CAPABILITIES AND A REQUEST FOR DESIGN OF ROAD SYSTEM. NONETHELESS, GIVEN SIZE OF OVERALL REGIONAL DEVELOPMENT SCHEME (\$230 MILLION) OF WHICH SIKTA IS LARGEST COMPONENT AND NEPAL'S WELL KNOWN TRANSPORT PROBLEMS, USADB BELIEVES THAT MORE EMPHASIS SHOULD BE GIVEN TO EVALUATION OF TRANSPORT NEEDS OF PROJECT AREA. (WE NOTE THAT NO TRANSPORTATION ECONOMIST OR ENGINEER IS INCLUDED IN LIST OF NEEDED CONSULTANTS.) WITHOUT AN ANALYSIS OF TRANSPORTATION NEEDS IT IS NOT POSSIBLE TO SAY WHETHER NEW EAST-WEST HIGHWAY IS SUFFICIENT TO HANDLE EXPECTED VOLUME OF TRAFFIC. IN ADDITION DESIGN OF FEEDER-ROAD SYSTEM MAY DETERMINE FUTURE PATTERN OF GROWTH IN PROJECT AREA. RECOMMEND, THEREFORE THAT U.S. DIRECTOR SUGGEST THAT MANAGEMENT ASK CONSULTANTS TO CAREFULLY EVALUATE TRANSPORTATION SECTOR WHEN PREPARING STUDY.

12. REQUEST AMEMBASSY KATHMANDU COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DATED 3 JULY 1972.
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TAGS: EAID, EFIN, NP
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